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AGENT / BROKER

Why Not RMs In Insurance Agencies?

By **Zachary Finn**

The subject of agents serving as risk managers has come up quite a bit lately. Most of the articles address the need for this expanded role, as well as the importance that agents not overextend themselves. One option that is often overlooked in these discussions is that real live risk managers may find themselves working in insurance agencies.

I am an Indiana State University Insurance and Risk Management graduate, Associate in Risk Management, and veteran of two large corporate risk management departments. Now, I work for a small insurance agency.

My original goal, and I believe the goal of most in risk management, was to work my way up the ranks to Director of Risk Management for a large corporate department. You may wonder how I instead ended up in a Main Street, USA, insurance agency.

The answer is simple; I discovered there is a huge group of companies in dire need of risk management, who for the most part have limited or no knowledge as to what risk management is. These companies are what the insurance industry would typically consider middle market accounts.

Many times these middle market accounts are large and sophisticated enough to need a risk manager, but simply lack the volume of work to justify a full or even part-time position. From the traditional agency's perspective, it would be very difficult for anyone to decide to begin to develop the skills necessary to truly fill the role of risk manager, especially if that someone still has a sales quota to meet. Risk management is simply too diverse a field.

Large national brokers may not be any better equipped to fill this role either. I don't think anyone can argue that they lack skills necessary, but rather the willingness or ability to bring those skills to bear.

For a large broker, the amount of commission a typical middle market account brings in is simply too low to justify the time commitment and level of service necessary to go through the risk management process with a company and flush out exactly what their issues are.

The situation creates a unique opportunity for Main Street, USA, insurance agencies and risk managers to team up. Adding the expertise of a risk manager to a smaller agency provides the right balance of local service and expertise to provide middle market accounts with comprehensive risk management services. This also creates a unique opportunity for the risk manager.

Don't get me wrong. I loved working for a large risk management department. There are some downsides, however, that I think most risk managers can agree with.

The period between renewals can often be slow, and dealing with what is often a static list of exposures can become tedious.

I also believe that in many companies there is often a general lack of appreciation for what the risk management department does. Once the risk management department has been running smoothly, and in particular when there are no major losses, it is often easy for the corporate higher-ups to forget why exactly they pay these people. It is hard to garner praise for preventing and having the mechanisms in place to mitigate something that may in fact never happen.

I now work for a regional insurance bro-



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I think the greatest single benefit is that the middle market is starved for risk management services. Oftentimes the "risk manager" is really the controller or CFO who wears the risk management hat along with about 14 others.


The CFO never had the time to review insurance and indemnification sections, track certificates of insurance or verify the workers' compensation experience mod (or modification factor). He or she is very grateful to learn how important these things are and the impact they can have.

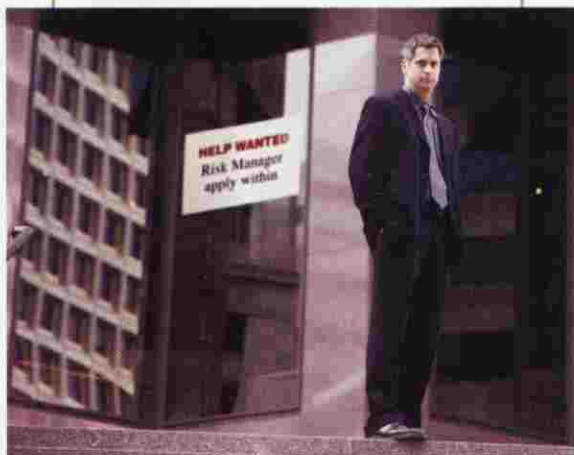
Since most of these companies have never had a comprehensive risk management plan, there is a lot of low-hanging fruit, and hence there are a lot of opportunities to be appreciated. From the perspective of the insurance agency, that appreciation translates into higher client retention levels and increased new business.

If the breadth of companies you can help as an agency risk manager were the major benefit, then the depth of those services would have to be the biggest disadvantage. I do not believe that I will be involved in setting up a wholly-owned captive anytime in the near future.

Agency risk managers need to be careful to stay up on their reading and conferences in order to ensure that their knowledge of higher-level risk management tools stays current. But the experience gained working

with a multitude of industries and carriers more than makes up for this potential risk.

Anyone selling commercial property and casualty insurance should have at least a cursory understanding of risk management, however, I believe in order for insurance agencies to truly be able to provide risk management services for their clients, there will also have to be a help wanted sign in the window for risk managers. 



ker as the in-house risk manager, providing free risk management services for our top 20-25 accounts. I have no production responsibility, nor do I want any.

I am strictly a value add for our clients. As a risk manager I find this role very challenging, as I am now gaining experience in several different industries at once. It is also a much more exciting pace, as there is no longer any lag time between renewals.